

The Budget Speech 1998

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***Building Canada
for the 21st Century***




**Strong Economy
&
Secure Society**

The Honourable Paul Martin, P.C., M.P.
Minister of Finance

February 24, 1998

Canada



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Department of Finance
Canada

Ministère des Finances
Canada

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Introduction

Mr. Speaker, at the outset, let me express, on behalf of the Prime Minister and Cabinet, our gratitude to the Standing Committee on Finance and the various committees of caucus. Their hard work has been invaluable.

Let me also thank the many who have taken the time from their day-to-day obligations to come forward and present their proposals on the shape this budget should take. Yet again, they have proven the benefits brought to budget making by simply listening to the common sense of Canadians.

Mr. Speaker, this is the first budget of a new mandate.

But if the mandate is new, our mission is not.

Our goals today remain what they were when Canadians placed their trust in us in 1993: first, to build a country of opportunity – of jobs and growth – one where every Canadian has equal access to the avenues of success; and second, to safeguard and strengthen a caring and compassionate society.

Canadians have always known that securing these goals would not be easy.

Canadians understood that fundamental problems require fundamental change. They wanted clear priorities established. And they wanted a long-term plan to achieve them.

In 1994, that plan was put in place. We have pursued it for more than four years. It is paying off today.

This budget marks a further stage in that plan. It makes it very clear – our resolve will not weaken.

This budget will demonstrate that we have left the era of chronic deficits behind, that we are now on an irrevocable course to reduce the debt.

It is a budget that will expand opportunity for all Canadians by making access to knowledge and skills more affordable.

It is a budget that begins to reduce taxes, starting with those who need it most – middle- and low-income Canadians.

And it is a budget that ensures that the balance of actions we take reflects the balance of priorities Canadians share – that the values we heed are the values Canadians hold.

That is our commitment.

A Sound Economy and Sound Finances

When we came into office, the country's economy was in disarray.

The turnaround today is very evident.

Job creation is accelerating. Over the last four years, the number of jobs has grown by over one million. In 1997 alone, 372,000 new jobs – all full time and in the private sector – were created.

In 1993, the unemployment rate stood at 11.2 per cent. It has fallen since then and is now below 9 per cent. While not satisfactory, the trend is clear.

Consumer confidence has rebounded. The economic recovery is now supported by strong domestic demand.

Business confidence is at record levels. Investment is surging.

Stimulated by lower interest rates and renewed confidence, economic growth reached a level in excess of 3.5 per cent last year. This year, continued strength is projected. This would mean the best back-to-back economic performance for Canada in over 10 years, the strongest performance of any G-7 nation.

Mr. Speaker, we live in a volatile world. Clearly, the events in Asia will have an impact.

Nonetheless, let me simply say to Canadian business, consumers, employers and workers: there has not been a time in the last 25 years when our prospects have been better.

Furthermore, economic growth is helping to push the deficit down dramatically.

What I am about to say is something no Canadian government has been able to say for almost 50 years.

We will balance the budget next year.

We will balance the budget the year after that.

And, Mr. Speaker, we will balance the budget this year.

This achievement is the accomplishment of Canadians, not of government.

From the outset, it was Canadians who knew the dangers posed by financial mismanagement, who called for firm action. It was Canadians who united in a strong consensus that government simply had to get on with the job.

And it was Canadians who have shown great forbearance in shouldering the consequences of actions that have been very difficult.

Canadians can be very proud today. This is their victory.

Building a Strong Economy and a Secure Society: Our Principles and Our Plan

Mr. Speaker, it is clear that a new era lies ahead. And because of that, we owe it to Canadians to repeat what our principles will be as we go forward.

First, we will stay the course that brought us here. We will be frugal. The battle to root out waste and inefficiency can never end.

Never again will we allow the spectre of overspending to haunt this land.

Never again will we let old habits return – of defining bigger government as better government, of believing that every problem requires another program.

And never again will we see Canadians undergo round after round of painful cuts in order to dig us out of yet another hole.

Canadians have paid to see the movie ‘The Deficit’. They don’t want to pay to see the sequel.

Second, we will be focused in everything we do. The core priority of government must be to set the national agenda. It can never again fall into the old trap of trying to be all things to all people, of having so many priorities that in fact it has none.

Third, we must be steadfast. The challenges facing the country are deeply rooted. They are not the stuff of quick fixes.

That is why, as before, each budget will build on steps taken previously, so that what may seem like small steps at the time, will in the end, become larger strides. We must look to the long-term needs of the nation.

Fourth, we must work in partnership. Acting alone, in isolation, is no longer on. Working together respects the reality that we each have a role to play – whether as governments, business, labour or the voluntary sector.

And finally, fifth, we must be balanced and we must be fair.

Canadians know that there is more to taking care of the nation than simply taking care of the books.

Canada is not just a marketplace. It is a community.

Our country is anchored in shared risk and shared benefits, in lending a hand knowing that, some day, we too may be in need. That is the spirit that built this land.

It was that spirit we saw when the country came together to help those devastated by the Saguenay flood. It was there again when the Red River struck. And it was there as hands reached out from across Canada to offer assistance in the aftermath of the ice storm last month.

The Canadian spirit of coming together is not something that only appears now and then in response to great natural disasters or disruptions. It abides. It is there in every community, in every corner of the country, every day. And it is there in the great national programs that have come to define who we are, and what we want to become.

That is why this budget provides resources for the National AIDS Strategy.

That is why we established a Healing Fund to address the terrible legacy of abuse suffered by so many aboriginal young people in residential schools.

And that is why we are committed without reservation to sustaining and strengthening the Canadian system of health care. In 1995, when the country's fiscal back was to the wall, we took some very difficult decisions. We recognize this.

That is why the very first action we took when our progress on the deficit became clear was to increase the floor under cash transfers to the provinces in support of health and other programs from \$11 billion to \$12.5 billion annually.

This is the single largest expenditure accounted for in this budget. Going beyond today's projections, between now and the year 2002, the provinces will receive an additional \$7 billion in transfer payments from the federal government for health and other programs.

Mr. Speaker. Frugality. Focus. Steadfastness. Looking to the long term. Partnership. Fairness. These are the principles that underlie our plan.

Providing Sound Financial Management

Let me now demonstrate how these principles will be applied to sound economic management for the country.

First, we have said right from the beginning that one of the central economic priorities of government must be to ensure that monetary and fiscal policy work hand in hand – so that they reinforce, rather than run up against, one another.

To that end, upon coming into office, the government and the Bank of Canada agreed to hold inflation inside a range of 1 per cent to 3 per cent to the end of 1998. That policy has worked. Inflation is under firm control. It will remain so in the future.

That is why we are announcing today that we will extend the current agreement for a further three years.

Canada has now established a reputation as a low inflation country. It is a reputation and a reality we will protect.

Next, let me turn to the issue of the debt.

We have won a major battle. We have not yet won the war. Twenty-five years of deficits have left us with a debt burden that is far too high.

Every dollar that goes to service the debt is a dollar that cannot go to health care or tax relief.

The debt burden must be brought down.

In fact, that has already begun to occur.

The best measure of the debt burden is to consider the size of the debt in relation to the size of the economy that supports it. This measure is called the debt-to-GDP ratio – what we owe in relation to what we produce. The lower the ratio, the more manageable the debt.

In 1996-97, the debt-to-GDP ratio fell meaningfully for the first time in more than 20 years. It will fall again this year even more. Over the next two years, the pace of improvement will continue. Our commitment is to keep the debt burden coming down – steadily, permanently, irrevocably.

It will be brought down through the implementation of a two-track strategy.

First, we will continue to follow policies that will pay off in better economic growth.

Second, we will bring down the absolute level of debt itself.

Mr. Speaker, this is our debt repayment plan.

First, we will continue, as before, to present two-year fiscal plans based on prudent economic assumptions.

We will continue to be consistently more cautious than are private sector forecasters. In the first two years of this plan, we are committed to back-to-back balanced budgets.

Second, we will continue to build into our financial plans a buffer, a \$3 billion Contingency Reserve.

And third, if, as in each of the last three years, the Contingency Reserve is not needed, it will go directly to paying down the debt.

This is how, since coming into office, we have brought the deficit down – year after year after year.

This is how, in the future, we will bring the debt down – year after year after year.

Indeed, Mr. Speaker, that process is already underway.

There are two principal ways to calculate the deficit. The first – the method we use in Canada – is considered to be one of the most rigorous in the world because it includes all the liabilities the government incurs over the course of a year.

The second measure – used by other countries like the United States, the United Kingdom and Japan – includes only the borrowings that the government makes in financial markets.

According to this measure, Canada recorded a financial surplus last year.

And according to this international comparison, Canada is in the best fiscal health of the G-7.

Of even greater significance, as shown in the monthly numbers being released today, is the fact that, so far this year, we have actually paid down debt previously borrowed in financial markets by almost \$13 billion.

Equality of Opportunity

Mr. Speaker, ours is a country of great opportunity.

What we must do is strive to be a country of equal opportunity as well.

All Canadians do not begin life at the same starting line. For some, the race is virtually won before it's begun. For many others, it clearly is not.

Circumstance and privilege can create a playing field that is very uneven.

When individual Canadians are deprived of the opportunity of reaching their full potential, the country is deprived of the opportunity of reaching its full potential.

Now, some seem to believe there is nothing government can do. That there is nothing government should do. That we should just unleash the market, let loose the forces of change – and abandon those whom opportunity has passed by.

Well, that view is not ours.

A rising economic tide does not lift all boats.

There are Canadians who, for many reasons, do not enjoy the opportunities others do – but who would grasp them immediately, and lift themselves up, if only given the chance.

That is why, in this and previous budgets, we have enhanced assistance to those with disabilities – Canadians who do not seek special rights but simply equal citizenship.

That is why we have increased support for charitable groups, given the enormous role played by the voluntary sector in helping Canadians and enriching our communities.

Preparing Canadians for the Jobs of the 21st Century: Providing Access to Opportunity

Mr. Speaker, equal access to opportunity is a question of fairness, of fundamental social justice.

But it is also about the fundamental economic challenge we face, the challenge of jobs.

For 200 years in Canada, prosperity and knowledge have gone hand in hand. However, let us understand the true nature of the dynamic at play. As a society, we are not educated because we are prosperous. We are prosperous because we have extended the frontiers of education.

And today more than ever, getting a good job, achieving a higher standard of living requires even greater skills and broader knowledge.

The creation of jobs in the new millennium will be anchored in two essential components: the infrastructure of innovation, and the infrastructure of skills and knowledge.

In today's evolving world – to get a job, to keep a job, to move on to a better job – there is only one resource that will equip Canadians to succeed, and that is to develop the very best skills they can.

In a very real way, the opportunity to learn must be the central part of any national jobs strategy.

The facts speak for themselves.

Those who graduated from university, community college and vocational institutes enjoy incomes 45 per cent higher than those who did not complete high school.

During the last recession, for those with only high school, 640,000 jobs were lost. However, for those with degrees or diplomas, 450,000 jobs were gained.

Thus it is not surprising that the unemployment rate for those with less than a high school diploma is 15 per cent, while for those with a university degree, it is only 5 per cent.

However, this is by no means only about university. It is about every community college and vocational and technical institute in the country.

The demand for knowledge and skills spans all occupations, at all levels, in all sectors – from factory to farm, from software to sales, from medicine to mechanics.

Nor is this only about young people.

It is also about the need to upgrade skills and develop new ones consistently throughout all of our working lives.

Furthermore, if knowledge and skills underpin a strong economy, so too, they underpin a secure society.

The backbone of a country is the strength of its middle class.

There is no better way to reduce the gap between rich and poor, no surer way to widen the mainstream, no more meaningful way to reduce the numbers of those left behind, and no better way to provide a higher quality of life for Canadians, than to facilitate the path to greater education.

Quite simply, every Canadian who wants to learn should have the opportunity to do so.

Yet today, from Corner Brook to Coquitlam, there are tens of thousands who do not have that opportunity. It is a fact that students from lower-income families are under-represented in our institutions of higher learning. And the fault line widens every time a young Canadian is denied access to the skills they need – not because the courses are too hard but because the costs are too high.

Too many are deterred from pursuing higher education because of fear of large debt. Too many who have made the decision to go forward are struggling with rising costs. And too many parents worry that they will not be able to save for their children's future.

It is a great irony – and a greater tragedy – that at the very moment when the country cannot afford to do without higher learning, it is becoming more difficult than ever to afford.

Now, before proceeding further, let me be very clear on one point.

Education is a matter of provincial jurisdiction. It is the provinces that are responsible for the curriculum, for educational institutions, for quality.

We are not talking here of the content of what is taught. What we are talking about is equal access to opportunity. Indeed, what we are dealing with is the responsibility of all governments and all sectors of society to ensure that Canada builds on its strengths in an increasingly competitive and interdependent world economy.

Each of us must do our part. We will only be truly successful in creating opportunity for all if we act in partnership – a partnership of parents, of educators, of the private sector, and of provincial and federal governments. In that partnership, some roles are exclusive. Others are shared.

For decades, both the federal government and the provinces have played their part in providing equality of access to those in financial need.

Today, as demands evolve, we must strengthen and adapt that assistance to better ensure that all Canadians are provided an equal opportunity to participate in the knowledge-based economy of the future.

Why? Because the need is so great. Because the cause is so clear.

Mr. Speaker, let me quote directly from the communiqué issued by the Prime Minister and the provincial premiers at their meeting last December.

“The First Ministers agree on the importance of lessening students’ financial burden. Furthermore, it is agreed that the Minister of Finance and the Minister of Human Resources Development will accelerate work in concert with provincial and territorial Education Ministers so that the Minister of Finance can take account of this work in the next federal budget.”

Mr. Speaker, today we are taking action in response to that consensus and that request.

I would like to set out the *Canadian Opportunities Strategy* – a co-ordinated set of measures building on the thrust of the last budget, designed to create opportunity by expanding access to lifelong learning.

Clearly, action is required on seven fronts.

First, promoting access by helping students in financial need cope with rising costs.

Second, helping those who have graduated manage growing debt burdens.

Third, providing Canadians with access to the financial resources required to upgrade their skills throughout their career.

Fourth, assisting families to save for their children’s education.

Fifth, supporting graduate and post-graduate students so that they can continue to develop their skills and do the research that will pay off for the whole country.

Sixth, helping young people make the transition from school to work.

Finally, connecting Canadians – young and old, rural and urban – to the technology of the information age and all the knowledge it makes possible.

The *Canadian Opportunities Strategy*, which we are detailing today, helps move Canada forward on all seven of these fronts.

The Canada Millennium Scholarship Foundation

First, last fall in this House, the Prime Minister said and I quote: “There can be no greater millennium project for Canada, and no better role for government, than to help young Canadians prepare for the knowledge-based society of the next century.” He then went on to call for a major investment to provide thousands of scholarships to deserving Canadian students. In this budget, the Prime Minister’s commitment and vision become reality.

Today, we are announcing the largest single investment ever made by a federal government to support access to post-secondary education for all Canadians.

The Canada Millennium Scholarship Foundation – a private, independent institution – is being created. The government will provide the Foundation with an initial 10-year endowment of \$2.5 billion. As a private foundation, it will be able to receive donations and bequests from across the country.

This investment will provide over 100,000 scholarships to low- and middle-income students each and every year over the next decade. The scholarships will average \$3,000 each, per year. As a result, a student receiving a scholarship over four years will see his or her debt load cut by \$12,000, half of what it otherwise would have been.

These scholarships will be awarded to Canadians of all ages, part-time as well as full-time students.

Those attending all publicly funded institutions – not simply universities, but colleges, CEGEPs and vocational and technical institutes as well – will be eligible to apply.

Canada Millennium Scholarships will be for the students at Durham College in Oshawa and the Northern Alberta Institute of Technology in Edmonton just as much as they will be for those at the University of Montreal or Dalhousie.

Many Canadians would like to be able to attend college or university outside their home town or home province, at an institution of their own choosing, but today, rising costs make that less and less of a possibility. We believe that more Canadians should have the opportunity to attend the institution that best meets their needs. We also believe that Canadians should get to know their country better. Therefore, recipients of Canada Millennium Scholarships who want to travel to study outside their home town or province will be provided help to do so.

The Canada Millennium Scholarship Foundation will be a private, independent body. It will be managed by a board of directors, each and every one of whom will be a private citizen. They, not the government, will decide how best to design the scholarships within the mandate they are given.

The Council of Ministers of Education, representing the provinces as well as representatives of the education community, will be given a key role in identifying who the directors should be. We will ensure that a student is on the board.

Mr. Speaker, once established, the Foundation will consult closely with provincial governments and the education community. The goal will be: to award scholarships by the Foundation to individuals in a manner that avoids duplication, to build on existing provincial needs assessment processes, to complement existing provincial programs. The legislation creating the Foundation will provide it with the administrative flexibility required to meet these objectives.

In particular, the Foundation will have the authority, subject to mutually agreed needs, merit and mobility criteria, to contract with appropriate provincial authorities for the selection of those recipients in a province to whom the Foundation will award Canada Millennium Scholarships.

Above all, we must significantly increase access to post-secondary education for low- and middle-income students.

Mr. Speaker, this investment in the future of our country is the result of our successful battle against the deficit. It is an investment that will pay for itself over and over again in the years ahead.

The Prime Minister stated it best last fall and I quote:

“I hope this can do in the 21st century for our economy and our country what the investment after World War II in post-secondary education for our returning soldiers did for our economy and our country in the last half of the 20th century. ... This will not be a millennium monument made of bricks and mortar, but when future Canadians look around they will see its legacy everywhere.”

Helping Graduates Manage Their Debts

Next, Mr. Speaker, Canadians do not need to be told that student debt has become a major problem. Students know it. Their families worry about it. Graduates must deal with it.

In 1990, only eight years ago, the average debt load after a four-year program was \$13,000. By next year, it will have almost doubled – to \$25,000. At the beginning of this decade, fewer than 8 per cent of borrowers had debts larger than \$15,000. Now, almost 40 per cent do.

Students are graduating with a mortgage before they even consider buying a house – and, for many, before they have been able to land a job. There are few students who do not find the burden of loan repayment to be a difficult one.

Mr. Speaker, businesses are able to deduct the interest cost of buying equipment when investing in their future.

We believe that individual Canadians should receive similar treatment when investing in their future.

Therefore, this budget announces that, for the first time ever, all students will be given tax relief on interest payments on their student loans. This will be provided through a tax credit, which can be carried forward for five years.

For a student just graduating with a loan of \$25,000, this means a reduction of \$530 in their taxes in the first year alone. Over a 10-year paydown of a student loan, this could mean as much as \$3,200 in tax relief. Mr. Speaker, this measure will help one million Canadians who are repaying their students loans.

That being said, there are those who need further assistance in shouldering a debt burden that is simply too large for them to handle alone.

To help these individuals, changes will be made to provide further interest relief on their loans and for longer periods of time. This will benefit up to 100,000 graduates in financial hardship.

For most, these measures will be sufficient. However, there will still be a very small minority who, despite interest relief, cannot cope with their debts. For these people, after careful examination of all of the circumstances, the principal amount of the loan itself will be reduced so that payments are more affordable.

This form of help will be considered five years after an individual has ended their studies.

The measures we are announcing today will help to ensure that Canadian students are not mired in a swamp of debt from which they can never escape.

However, in order to ensure that Canada Student Loans continue to provide as much assistance as they can to those who need it, we will be taking steps to ensure that both educational institutions and students use the program as it is intended.

Canada Study Grants

Mr. Speaker, the costs of study are a challenge for many Canadians, but there are some for whom the problem is particularly acute. We all know young people who made the decision early in life to have a family and as a result were unable to continue their education. Many are women who are today heading single-parent families.

Today, many want to return to their studies to improve their prospects and those of their children. Given the family obligations they have, the road ahead can be a very rough one indeed.

Therefore, in order to expand opportunities for these Canadians, we are announcing today that new grants of up to \$3,000 per year will be made available to over 25,000 students in financial need who have children. These grants will help them whether they pursue their studies full time or on a part-time basis.

Supporting Learning During Canadians' Working Lives

Mr. Speaker, Canadians know that their ability to continue earning depends on their ability to continue learning.

There are a growing number of part-time students, the majority of whom are trying to manage the difficult balance between work, family and study.

We have already announced that part-time students will be eligible for Canada Millennium Scholarships and those with children, for special grants. Today, we are also announcing two additional steps to support part-time study.

The education credit is one of the major ways government provides tax assistance to students. It helps with the living expenses of those at university, community college or vocational school. Up to now, this has been available only to full-time students. We are announcing today that, for the first time, part-time students will have access to the education credit as well. This will assist 250,000 students who could not take advantage of this credit before.

Next, the 1996 budget enabled full-time students who are parents to claim the child care expense deduction against all types of income. Today, we are making part-time students as well eligible for that deduction. Fifty thousand students will benefit from this action.

As a result of these two measures, the tax savings for a typical part-time student with two young children will more than triple – from \$300 to almost \$1,000 per year.

Mr. Speaker, there is more to be done. Many Canadians already in the workforce need and want to upgrade their skills through full-time study. Yet many do not have reasonable access to the financial resources this requires.

Today we are moving forward to help meet this challenge.

Effective January 1999, Canadians will be able to make tax-free withdrawals from their RRSPs to support full-time education and training.

There are few things more critical to ensuring an adequate income in retirement than ensuring a good income when working. Providing opportunity to improve skills is an important way to make sure that happens.

The office worker who wishes to enhance their computer skills, the assembly line worker who wants to retrain as a machinist – these Canadians and more will now have access to a resource that, until now, they were prevented from using.

Assisting Parents to Save for Their Children's Education

Mr. Speaker, much of what we have announced so far concerns today's immediate needs.

But we must look ahead to the students of tomorrow.

Part of the answer lies in the over 100,000 Canada Millennium Scholarships that will be awarded each year. Part of the answer lies in assisting parents to prepare and plan for their children's future education.

Today, Canadians are already saving for their children in many ways. Some buy bonds. Some set up special bank accounts. Many simply set aside a bit of money whenever they can. Grandparents, aunts and uncles put money away at birthdays and at Christmas.

One way government assists Canadians in saving for their children's education is by supporting registered education savings plans – RESPs. Money placed in these plans grows tax free until the child is ready to go on to college, to a vocational institute or to university.

Over the past two years, Mr. Speaker, we more than doubled the annual contribution limit for RESPs. Today, we are taking a significant further step.

Today marks the beginning of a new partnership with parents. We believe government has a role to play investing alongside those who seek to save for their children's education.

Therefore, effective January 1 of this year, the government will provide a Canada Education Savings Grant to supplement new contributions made to RESPs.

For every dollar contributed, up to an amount of \$2,000 a year, the federal government will provide a Canada Education Savings Grant equal to 20 per cent of the total. This money will be paid directly into the child's plan.

If contributors are unable to save the full amount in any particular year, they will be able to carry the unpaid amounts forward, allowing them to catch up in later years.

Let me illustrate the impact of saving with a Canada Education Savings Grant beginning when a child is three.

If parents were to save \$25 every two weeks – for example, through an automatic deduction from their pay cheque – even if conservatively invested, their child, beginning at age 18, would receive \$4,700 each year for four years to finance his or her schooling. And of that amount, almost \$800 each year would be the direct result of the Canada Education Savings Grant we are announcing today.

As a result of the initiatives we are taking, RESPs will now be among the most attractive savings vehicles available for a child's education.

We believe that RESPs will soon come to be considered as essential for future planning as registered retirement savings plans are now.

They represent one of the best things parents can do for their children, one of the best things grandparents can do for their grandchildren – it speaks to the partnership of generations.

Support for Research and Development and Graduate Study

Mr. Speaker, there can be few things more critical to determining our economic success in the next century than a vigorous, broad-based research and development effort. The fact is the more R&D that is done in Canada, the more jobs that will be created for Canadians.

That is why, for instance, we created the Canada Foundation for Innovation last year, to provide the facilities at our hospitals, universities and colleges that will support world-class research.

This year we are providing new support for researchers themselves, so the best and brightest can realize their dreams and fulfill their promise right here in Canada. They will do so by opening up new frontiers of knowledge in medicine and in the natural and social sciences.

For two decades, the government's granting councils – the Natural Sciences and Engineering Research Council of Canada, the Medical Research Council of Canada and the Social Sciences and Humanities Research Council of Canada – have provided crucial support for these researchers and their projects.

For example, Dr. John Polanyi, Nobel Prize winner and inventor of the chemical laser, has been a recipient of such support throughout his career. So, too, has Dr. Fernand Labrie of Laval University whose research work on enzymes and hormones has opened up vast possibilities for the treatment of breast and prostate cancers.

As we brought the deficit down, many difficult choices were made. One of these was a reduction in funding for the granting councils. Today, we are announcing that, effective April 1, 1998, their budgets will be restored to their original 1994-95 levels. In the years ahead, these resources will grow further. Indeed, by the end of the year 2001, they will have received more than \$400 million in additional resources and their budgets will be at their highest level ever.

Supporting Canada's Youth to Find Jobs

Mr. Speaker, the youth unemployment problem remains grave in this country. As we have just seen, an important part of the answer lies in higher education. However, too many of our young people still confront the dilemma they know only too well – no experience, no job, no job, no experience.

To help address this problem, the government launched a Youth Employment Strategy in February last year. As part of that strategy, more than 120,000 career summer placements and over 50,000 internships are being created over a two-year period.

Clearly, the private sector is the engine of job creation. Many employers are rising to the challenge of helping to hire and train more youth. However, much more remains to be done. Many more employers must rise to the challenge if it is to be overcome.

Today, we are introducing two measures that we believe will support the private sector and others in this endeavour. They, along with the measures announced today and others previously taken, are part of what we believe must become a country-wide effort to deal head on with the problem of youth unemployment.

First, we are announcing that, over the next two years, employment insurance premiums paid by employers will be eliminated for new jobs they create for young Canadians between the ages of 18 and 24.

Second, we recognize that the challenge of finding a job is toughest for those who have dropped out of school. For these young people, the need for skills is great and on-the-job training is often the best way to develop them.

Today, Youth Service Canada is helping over 5,000 unemployed young Canadians get work experience in local businesses and community-based projects. One year after completing their Youth Service Canada work experience, 85 per cent of participants had found work or returned to school.

In this budget, we are more than doubling the resources devoted to this program in order to assist those, particularly between ages 20 and 24, who have not completed high school. Wage subsidies of up to \$10,000 will be provided to give them the kind of work experience that is key to long-term employment.

Connecting Canadians to the Technology of the Knowledge Economy

Mr. Speaker, computer skills have now joined reading, writing and arithmetic as one of the basics of learning. Having access to a computer puts the world literally at one's fingertips. There are two programs in place to give Canadians access to the technology and knowledge that makes it all possible.

First, SchoolNet, introduced by the government four years ago, is bringing the Internet into the classroom, making it a vital learning tool in every school in Canada. It allows students to access huge volumes of material in a matter of seconds – making learning more satisfying and teaching more effective.

The Computers for Schools Initiative, which is part of SchoolNet, donates thousands of computers to schools across the country, helping our children develop computer literacy at an early age, the easiest time to learn.

Second, the Community Access Program is bringing Canada on-line. Five thousand communities and libraries are being connected. Five thousand more sites await.

The goal of both these programs is to make sure that, no matter where Canadians live, no matter how small a town, how small a school, rich or poor, every student – indeed every citizen – has access to the same storehouse of knowledge.

To bring that goal ever closer to realization, the government is significantly increasing the resources available to both SchoolNet and the Community Access Program. There will be additional investment as well for CANARIE, Canada's world-leading research effort into next-generation communications networks.

This unique and extensive private and public sector consortium will enable Canada to put in place the world's fastest coast-to-coast information network, accessible to schools, communities and businesses. At the dawn of the information economy, this will provide Canada with an important leg up on the rest of the world.

Mr. Speaker, let me summarize what the *Canadian Opportunities Strategy* means for Canadians.

For the student at college or university or vocational institute, it means a comprehensive system of scholarships, study grants, student loans and tax credits.

For the graduate coping with student loans, it means a new tax credit to support repayment and new loan relief if they are in a situation of financial hardship.

For the worker seeking to renew his or her skills – whether through part-time or full-time study, whether at university, college or vocational institute – it means increased support that will now be available for students of all ages, plus the opportunity to draw on RRSPs to increase earning capacity.

For parents and grandparents, it means the Canada Education Savings Grant that will make RESPs the best way by far to save for a child's future education.

For post-graduate students and researchers, it means greater support of their important work through the granting councils.

For the young person having difficulty joining the workforce, it means new opportunities to gain practical work experience.

And for children, as well as communities across Canada, it means new access to computer technology and information networks.

The *Canadian Opportunities Strategy* is based on a very straightforward proposition: that people, regardless of their income level, who are serious about getting an education should have that opportunity.

That is their right. It is our duty. And it is a responsibility that we are acting upon today.

Planning Ahead for a Secure Society

Mr. Speaker, we have just been discussing the role of education in assuring equality of opportunity. But let us be very clear. The capacity to learn does not begin in school. It is dependent on the caring and nurturing provided the smallest infant. The fact is, equality of opportunity means a good start in life.

That is why, over the past year, the federal, provincial and territorial governments have begun to build a National Child Benefit System that will play a key role in fighting child poverty so as to help provide that good start.

As a first step, in our last budget, we allocated \$850 million to increase federal child benefits. This funding begins to flow in July of this year through the new Canada Child Tax Benefit. This will increase support to over one million children and their families.

Last spring, we said that as soon as we could afford to do more, we would. Today, we are.

As part of the National Child Benefit System, we are allocating a further \$850 million to enrich the Canada Child Tax Benefit over the next two years – \$425 million as of July 1999 and \$425 million as of July in the year 2000. Details of these improvements will be announced after discussion with the provincial and territorial governments.

Mr. Speaker, we believe that government must recognize and support all Canadian families in their desire to provide quality care for their children. We know that the vast majority of working Canadians belong to two-earner families, and that while those parents are away at work, they want the very best care for their children.

We also know that the costs of child care can be high – and that they are increasing. Therefore, in this budget, we are increasing the limit on the child care expense deduction – from \$5,000 to \$7,000 for children under age 7, and from \$3,000 to \$4,000 for children age 7 to 16.

For a parent earning \$45,000 and paying \$14,000 for the care of two pre-school children, this measure will reduce their costs by \$1,600 a year. The increased child care expense deduction will provide needed assistance to 65,000 Canadian families with children.

Mr. Speaker, one of the defining features of a secure society is its will and capacity to provide a secure retirement income for its senior citizens. One of the most important policy initiatives ever undertaken in Canada was the decision over three decades ago to establish the Canada Pension Plan.

The CPP is about our values as a nation. It is about the sharing of risk and the security of benefits.

Last year, we and the provinces, as joint stewards, came together and agreed on a package of reforms to preserve the CPP and enabling legislation was passed by this Parliament. The CPP is now secure.

We can now say to every Canadian who is 60 years old: the CPP will be there for you. We can say to every Canadian who is 40: the CPP will be there for you. And we can say with confidence to every young Canadian, many of whom have not believed public pensions would survive: the CPP will also be there for you.

In the months ahead, we will move on to the next stage in preserving our pension system. Legislation will be introduced to put in place the Seniors Benefit which, in the early years of the next century, will replace the current system of Old Age Security and the Guaranteed Income Supplement, the second pillar of our retirement income system.

The Seniors Benefit will fully protect the pensions of all current seniors and near seniors. It will ensure that all those in need receive as much, if not more, than they would under the current system. We have consulted with seniors and other interested groups on the detail of this reform. They have raised some very important points concerning the package that was first put forward in 1996. We have listened very carefully. These are being given every consideration.

Taxation

Let me now turn to the question of taxation and let me begin by reaffirming our goal.

It is to reduce taxes. It is to leave more money in the pockets of hard-working Canadians.

A government's tax policy must be an essential element of its overall social and economic policy. Our tax policy is crystal clear.

First, our financial resources are limited. Therefore, targeted tax reductions aimed at critical social and economic concerns must be the first priority.

Second, as financial resources permit, general tax relief will be provided, the priority being personal income taxes for middle- and low-income Canadians.

Third, the tax system must be fair. This means Canadians should pay taxes consistent with their capacity to pay – and that we must ensure that all taxes owing are indeed paid.

Mr. Speaker, from the beginning, we have provided targeted tax relief where the need is greatest and the impact the largest.

In past budgets, for example, we have increased tax assistance for students, for charities, for persons with disabilities, and for the children of working parents with low incomes.

In this budget, the process of targeted assistance is being continued.

Many of the measures we have announced as part of the *Canadian Opportunities Strategy* will, in fact, be delivered through the tax system, as will the new support for families under the Canada Child Tax Benefit and the child care expense deduction.

In addition, we are announcing the following targeted tax measures.

First, the number of self-employed Canadians is growing daily. Many operate through unincorporated businesses. However, unlike those businesses that are incorporated, they cannot deduct the premiums they pay for their supplemental health and dental plans. This is unfair. Starting this year, self-employed Canadians will be able to deduct these premiums from their business income.

Mr. Speaker, we recognize as well there are an unprecedented number of Canadians – mostly women – who are today providing care for family members at home – very often an elderly parent or a disabled child. The support they provide is irreplaceable. In recognition of this, the government is introducing a new federal tax credit of up to \$400. This will increase or extend assistance to well over 400,000 caregivers. Together with the GST/HST exemption proposed in this budget for respite care, our goal is to enhance federal support for Canadians striving to meet the growing demands of caring for family members with an infirmity or disability.

Finally, as witnessed over the past year in floods and the ice storm, it is important to recognize the extraordinary service provided by the thousands of Canadians who register as volunteers in our communities, mostly rural, and who provide essential emergency services such as fire-fighting and first aid. They give concrete meaning to the concept of good citizenship.

To support them, the tax-free allowance for volunteer fire-fighters will be doubled – from \$500 to \$1,000 – and this allowance will be extended to all other emergency service volunteers, effective January 1st of this year.

Mr. Speaker, with the books balanced, it is now possible to consider broader tax measures.

Very clearly, at the outset, these measures must be modest, for the financial dividend that makes them possible is modest as well. We cannot put in jeopardy either Canada's regained fiscal health or the country's priorities such as health care, education and public pensions.

Equally clearly, as a matter of fundamental fairness, our first focus must be on low- and middle-income Canadians.

The place to start, therefore, is with those least able to pay taxes.

First, personal tax credits serve the purpose of greater tax fairness by ensuring that no tax is paid on a basic amount of income. As of July 1 this year, we are raising the amount of income that can be earned by low-income single Canadians by \$500 – and by \$1,000 for a family – before they pay one penny of tax. As a result, 400,000 people will be removed from the tax rolls completely.

Second, in 1986, the previous government subjected all Canadians to a 3-per-cent general surtax – a tax on tax – which they said would help bring the deficit down. The deficit went up. The surtax remained on.

Today, we are announcing the elimination of the deficit. And today, for 13 million middle-income Canadians, we are eliminating the surtax.

Effective July 1, taxpayers earning between \$50,000 and \$65,000 will see the surtax reduced, and 83 per cent of all taxpayers, those earning up to \$50,000, will see it eliminated in its entirety.

Taken together, Mr. Speaker, the last two measures will provide tax relief to 14 million Canadians – 90 per cent of all taxpayers. In total, the general tax relief and targeted tax measures we are announcing today – primarily to low- and middle-income Canadians – amount to \$7 billion over the next three years.

These tax measures are first steps. Looking ahead, we will build upon them as we can. We will do so with the nation's economic and social needs very much at the forefront of our consideration. We will do so in a measured and responsible way. Let there be no doubt – as soon as we can afford it, taxes will be further reduced.

Conclusion

Mr. Speaker, this then is our budget. It represents the second stage of the plan we put in place in 1994. It has three parts.

First, in previous budgets, we reduced the deficit. With this budget, we have balanced the books and have begun the process of debt reduction. In future budgets, we will stay the course.

Second, we have invested in the future. Over 80 per cent of our new spending initiatives reflect the highest priorities of Canadians – access to knowledge and skills, support for health and education through increased transfers to the provinces.

Furthermore, we will accomplish this while at the same time maintaining a tight control on our expenditures. In fact, in this budget, Canada's program spending as a share of GDP, will fall to its lowest level in 50 years.

Third, we have reduced taxes – initially in a targeted way and, as soon as the country's resources permit, we will broaden and deepen the process.

Mr. Speaker, this plan is not simply a theme for one budget or one year. It has defined our approach from the beginning. It will define our approach in the future.

However, as I draw to a close, let me conclude not by summarizing the measures contained in this budget, but by describing the challenges those measures are designed to meet.

Today, we cannot pretend that our task is over. It is not.

If Canadians have accomplished a great financial turnaround, there are greater things still that need to be done.

We dare not coast now. We cannot let go.

The fact is, in this age of globalization and technological change, we hear constantly about barriers being brought down, about new markets being opened up – and this is true and it is tremendously exciting.

But the fact is, as well, that Canadians have come to fear that our capacity to shape our own destiny is disappearing, that their country has become like a small boat sailing on rough and uncharted seas.

In an era of restructuring and downsizing, Canadians have come to wonder whatever happened to the once solid link between growth in the economy and growth in their incomes.

After decades of runaway deficits, Canadians have feared that their health care, their pensions, their system of education risked becoming mere shadows of their former selves – frail and fading, no longer strong and secure.

Well, there is a new destiny we must design for ourselves.

Mr. Speaker, globalization and technological change are a reality. They are not a religion. They are a fact. They are not a faith.

We commit a very serious mistake if we ever come to believe that the global economy abroad means there is no role, no responsibility on the part of government to provide opportunity and security at home.

In the era of great change, our core programs, our core institutions, our core values are more important than ever. They hold us together. They give Canadians the security and confidence they deserve. They equip the country to succeed and succeed we will.

We believe that the strength of a nation's agenda lies in its balance, not in its extremes. The fact is, we have not balanced the budget in spite of having taken a balanced approach. We have done so precisely because we have taken a balanced approach.

This is not about compromise, not about trying to be all things to all people.

It is about meeting the diverse needs of a modern nation.

It is about managing the present, while at the same time preparing for the future.

We do not believe our society and our economy should be left to twist in the winds of globalization.

We must make change work for us – or else we will end up working for it. That frames our challenge.

Some countries have great natural resources, others have impressive technological capacity, still others have vast human resources. We have all three.

That is why our goal must be to make Canada, not just a participant in the modern economy, but a world leader. A country which provides its citizens with access to the highest standard of living and the widest scope of opportunities possible.

Our responsibility as we go forward is very clear.

It is to balance the budget. But it is also to bring forth budgets that are balanced.

It is to work to build not simply an economy of growth, but also to safeguard a society that is fair.

Our challenge today is to put our values to work in new ways for a new century.

It is to turn opportunity for some into opportunity for all.

Mr. Speaker, that is what this budget seeks. That is what we will strive for in each and every year that lies ahead. For that is the foundation on which a great nation is built.

